



M E K E T A I N V E S T M E N T G R O U P

B O S T O N

S A N D I E G O

June 6, 2011

Mr. JJ Jelincic  
Chair, Investment Policy Subcommittee  
California Public Employees' Retirement System  
400 Q Street  
Sacramento, CA 95814

**RE: ADOPTION OF THE PROPOSED POLICY FOR THE INFRASTRUCTURE  
PROGRAM**

Dear Mr. Jelincic:

As Infrastructure Consultant to the Board, Meketa Investment Group was asked to provide an opinion on the adoption of the proposed Policy for the Infrastructure Program. We recommend that the Policy Subcommittee adopt the proposed Policy.

The primary objectives of the proposed changes are: (1) to align the Infrastructure Policy with the new, overarching Real Assets Policy approved by the Committee in May 2011; (2) to incorporate into Policy the changes outlined within the Infrastructure Strategic Plan approved by the Investment Committee in April 2011; (3) to conform with the proposed Policy for the Role of Private Asset Class Board Investment Consultants; and (4) to edit and clarify language in the existing Policy. In our opinion, the proposed changes are consistent with other CalPERS Policies, and the changes to the program included within the Strategic Plan and approved by the Investment Committee.

In addition to the above changes, in the proposed Policy the Infrastructure Program need only adhere to risk and geographic diversification limits when the Program NAV exceeds \$3 billion. This new provision seeks to address the challenges of adhering to diversification limits while the program is ramping up to its target allocation. We feel that this provision is reasonable during the early investment period of a program. We also note that the roles of consultants in the proposed Policy refer to the proposed Role of Private Asset Class Board Investment Consultants Policy, which has not yet been adopted by the Committee.

Please do not hesitate to contact us with any questions or comments.

Sincerely,

David Altshuler  
Senior Vice President

Stephen P. McCourt  
Managing Principal